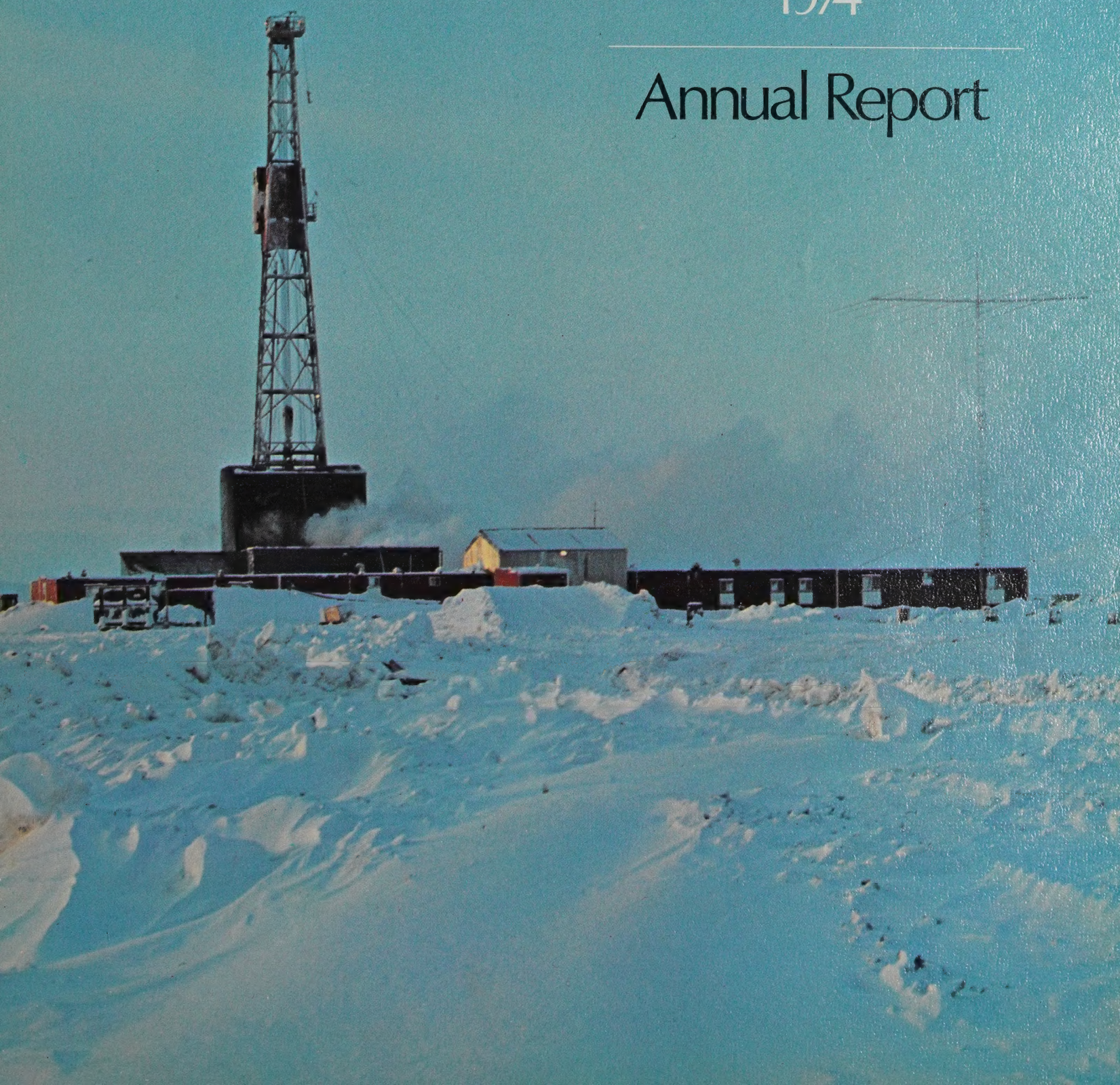
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GULF OIL CANADA LIMITED

1974

Annual Report



GULF OIL CANADA LIMITED 1974 Annual Report

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Annual Meeting

The Annual Meeting of Shareholders will be held in the Ballroom of the Royal York Hotel, Toronto, at 2:00 p.m. E.S.T., Thursday, April 24, 1975.

Front Cover: Much of Gulf Canada's 1974 capital program for finding and producing additional energy resources was concentrated in the Mackenzie Delta and Arctic Islands. *Below:* Transportation is a major expense in Far North operations. Small aircraft transport food and personnel between locations, while heavier craft ferry equipment and supplies from Alberta centres to the Company's frontier division.



On peut obtenir ce rapport annuel en français sur demande.

Highlights of operations

Financial	1974	1973
Earnings for the year	$161,000,000	$100,200,000
Per share	$ 3.54	$ 2.20
Total dividends to shareholders	$ 36,400,000	$ 31,800,000
Per share	$.80	$.70
Shareholders' equity at year-end	$898,300,000	$773,700,000
Per share	$ 19.75	$ 17.01
Capital expenditures	$115,900,000	$ 67,600,000
Working capital	$357,700,000	$351,500,000
Long term debt	$102,600,000	$196,000,000

Operating

	Barrels per day	
Crude oil and natural gas liquids produced – gross	139,000	149,000
– net	99,000	125,000
Crude oil processed by and for the Company	330,000	327,000
Petroleum products sold	272,000	262,000
	Thousands of cubic feet per day	
Natural gas produced and sold – gross	483,000	487,000
– net	406,000	434,000
	Pounds per day	
Petrochemical sales	2,063,000	2,305,000





As part of its native employment program, a weekly 500-mile shuttle flies Eskimo workers from Gulf Canada's Swimming Point base to their homes at Coppermine, N.W.T. *Right:* Heavy transportation equipment is readied for operation in –50°F. temperature and in winds gusting to 50 m.p.h.

Report to the shareholders

Last year's Annual Report outlined some of the uncertainties and problems confronting the Canadian oil industry at that time.

The OPEC countries had raised the price of foreign crude oil to three times its previous level and, in addition, these nations employed an oil embargo to assist in obtaining their political aims. Gulf Canada, along with other oil companies in Canada, arranged to supplement supply to customers in Eastern Canada by transporting Canadian crude from Ontario to Montreal refineries by ship during the open navigation season and, subsequently, using the Panama Canal to transport oil from the West to the East Coast, together with other supply arrangements.

The federal government in September, 1973, had imposed a price freeze on petroleum products marketed in Canada as well as on crude produced in Western Canada. A side-result of the world supply situation was that Ontario and Quebec markets ceased to be dumping grounds for world surpluses of gasoline and heating fuels, which had disappeared because of the world crude oil shortage.

While some of these matters have now been settled, new problems were added during 1974 so that major uncertainties continue to be faced. As a result of agreement between the provincial and federal governments, the average wellhead price of Canadian crude oil was raised on April 1, 1974, from $3.80 to $6.50 per barrel with the understanding that this price would not be changed for 12 to 15 months. Shortly thereafter the governments of Alberta, Saskatchewan, and British Columbia sharply increased their royalty rates, and on May 6 the federal government introduced a budget which, among other adverse effects on the oil industry, made these provincial royalty payments subject to federal income tax.

In May the federal government was defeated on its budget resolutions. In the subsequent election on July 8 the government was returned with a clear majority. In the post-election budget introduced on November 18, in spite of the strong recommendations that had been made by the resource industries in the meantime, these tax provisions were again included retroactive to May 7, and certain other changes were introduced. Although the federal government claimed to have alleviated the effect of the earlier proposals to some degree, the impact on Gulf Canada was more severe than the provisions of the May budget.

The problem boils down to a dispute between the provincial and federal authorities over the share of revenue from production of Canada's natural resources that should go to each. Since resource companies are caught in the middle of the dispute, they must accept a smaller return than is available in some other parts of the world for the exploration and development of petroleum resources. As a consequence, the level of exploration activity in Canada has slowed down to the point where it may not be sufficient to generate the reserves required to meet future energy needs.

While Alberta and Saskatchewan have acted to ameliorate the situation somewhat insofar as those provinces are concerned, the magnitude of the improvement is not sufficient to restore confidence to the extent necessary and the basic dispute continues as to what constitutes an equitable distribution of resource revenues. Until this problem is resolved, the climate is not favorable for exploration and for development of additional oil and gas resources and the adequacy of Canada's future supply is placed in jeopardy.

During the year the National Energy Board published its report on the adequacy of Canada's oil resources to allow continuing exports. On the basis of this report, the government has announced that crude oil exports to the United States will begin to be curtailed in 1975 and be completely phased out by 1982. The announced reductions in exports will result in a decrease in total Canadian crude oil production since Canadian demand is not expected to increase as fast as exports are being reduced.

In recent months the National Energy Board has been holding public hearings on the future supply and demand for natural gas. From the evidence presented, it appears that there will be insufficient natural gas to meet Canada's projected future needs plus its export commitments unless gas becomes available from the frontier areas. Gulf Canada is an active participant in the Canadian Arctic Gas project, which has applied to the N.E.B. for permission to construct a pipeline that would transport gas 2,600 miles from the Mackenzie Delta and Alaska to markets in Eastern Canada and the United States. We believe that this project holds the best promise of providing the transportation facilities required to make gas from the frontier areas available to Canadian markets by the time it is needed.

Gulf Canada is also a participant in the Syncrude oil sands project in Alberta which during the year announced the construction of a mine and other necessary facilities to extract synthetic crude oil from the Athabasca Tar Sands. The expected cost of the Syncrude project – now estimated at $2 billion – has con-

tinued to escalate due to inflation and a clearer definition of the extent of the undertaking. Withdrawal of one of the partners in December led to an agreement, early in February, 1975, under which the federal government and the governments of Alberta and Ontario will provide $600 million of the $2 billion of equity investment required, with Alberta making certain loans and assuming financial responsibility for some off-site facilities.

The federal and various provincial governments continue to take a growing interest in the day-to-day operations of Canadian oil and gas companies. Specifically, they have investigated and, in some cases, fixed the prices and margins relating to the sale of petroleum products. These regulatory moves limit the flexibility of the industry to recover fully its increased operating costs. Even more important in the long run, such restrictions interfere with the free working of the fiercely competitive marketplace to the eventual detriment of the consumer.

Towards the end of 1974 the abnormal restrictions on supplies of crude oil disappeared and, consequently, surpluses of various petroleum products again became available offshore. In past years Canada has been a dumping ground for such surpluses and the return of this excess supply situation is having a depressing effect on the market prices of gasoline and heating fuels in Eastern Canada and, to some extent, in Ontario. Canada now has adequate refining capacity to meet its needs. Surplus products from these Canadian refineries can be exported only after obtaining a license from the federal authorities and it is, therefore, difficult to remove temporary surpluses from the Canadian market. As offshore products can be imported at compensated prices sometimes below the cost of refining in Canada, the return from refining and marketing in the eastern half of Canada has again deteriorated.

In spite of these disruptive circumstances, we continue to hope that in the long run the governments concerned will soon establish policies which will allow the oil and gas producing, refining and marketing companies to operate in the best interests of Canada as a whole. In addition to allowing the refining and marketing operations to earn an adequate return, the urgent need today is for a policy that will encourage the search for and development of energy supplies in the frontier areas and from non-conventional sources to supply Canada's requirements in the future. The resources available to Gulf Canada will continue to be employed in the development of these energy supplies to the extent that business prudence permits.

Consolidated net earnings for 1974 amounted to $161 million and represented a rate of return on capital employed of 14.7 per cent. It is essential that at least this level of return be maintained if the Company is to be in a position to provide its share of the huge capital outlays the industry will have to make to find and develop new sources of supply.

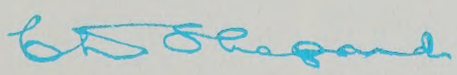
Although 1974 earnings were approximately 61 per cent higher than the restated $100 million reported for 1973, it will be difficult to maintain earnings at this level in 1975 in view of the higher taxes and royalties which will apply throughout the year. Per share earnings were $3.54, compared with $2.20 in 1973. The financial and operating results are given in detail later in this report.

Edward B. Walker, III, was elected to the Board of Directors, succeeding J. D. Barrington who retired after serving on the Board since 1968. Mr. Walker is an Executive Vice-President and Director of Gulf Oil Corporation.

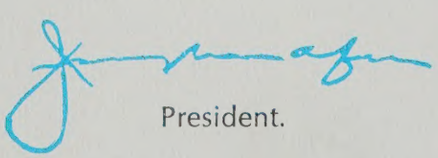
C. G. Walker, who joined the Company in 1939 and was most recently Executive Director, Marketing, was appointed a Vice-President responsible for coordination of relations with provincial governments, regulatory boards, and other agencies.

The gratifying records achieved by Gulf Canada in 1974 could not have been accomplished without the continued support of our shareholders, the dedication and co-operation of our employees and dealers, and the sustained loyalty of our customers. These underlying strengths ensure that Gulf Canada will respond positively and effectively in meeting the future challenges of our industry.

On behalf of the Board,

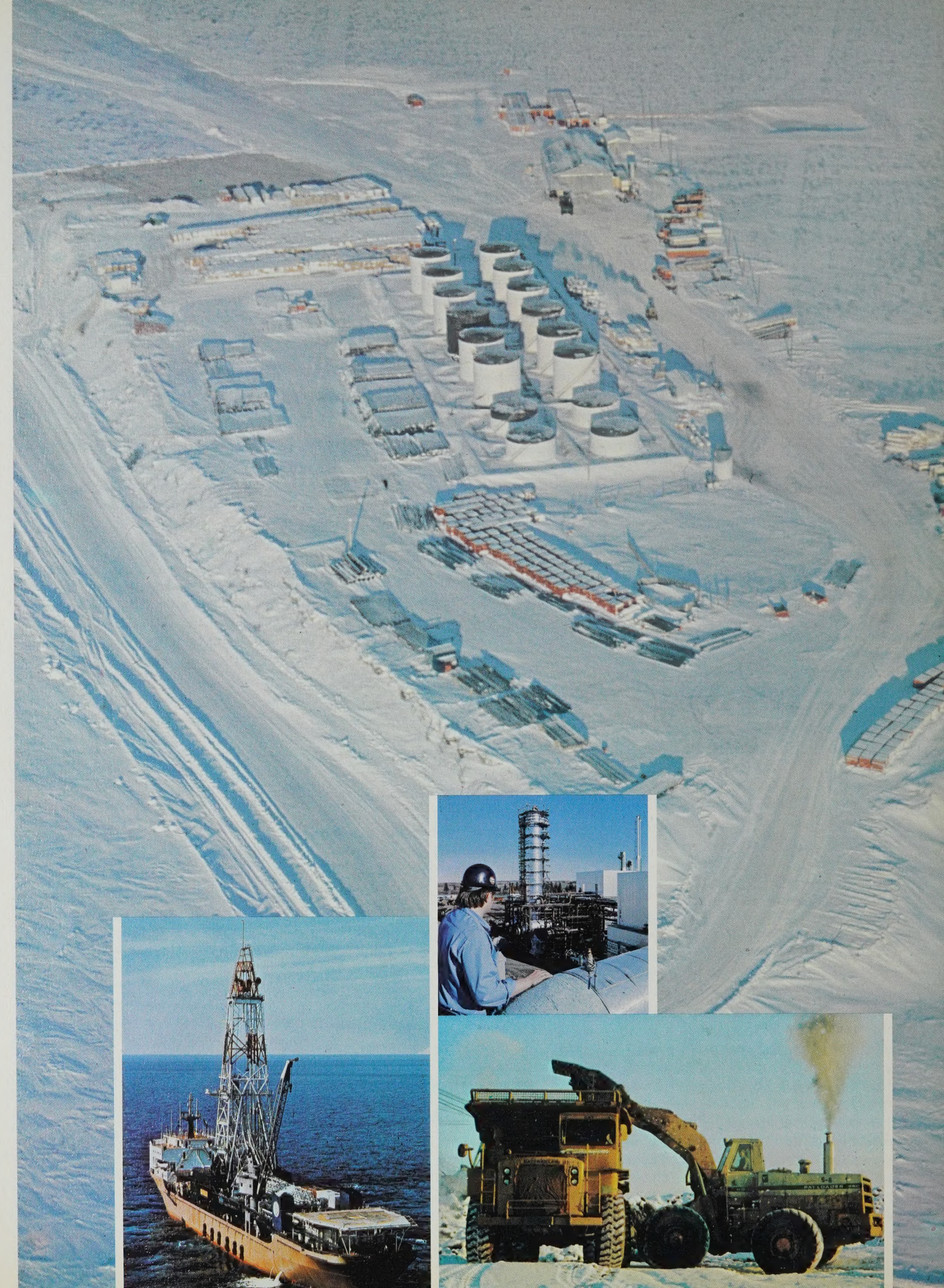


Chairman of the Board.



President.

Toronto, Ontario, March 25, 1975.



The year in review

Exploration and production

The substantial improvement in wellhead prices in 1974 was largely offset by higher provincial royalties which were a major factor in a decrease of 21 per cent from 1973 in net crude oil and natural gas liquid production after royalty. On a before-royalty basis, production was slightly over 139,000 barrels daily, down seven per cent from the previous year. Some of this decrease was due to natural decline in older fields and injection of gas liquids into a miscible flood scheme at South Swan Hills. The major reason, however, was the federal government's high export tax which made certain types of Canadian crude oil non-competitive in the United States, thereby reducing normal production volumes. Sales of natural gas averaged 483 million cubic feet daily before royalty, essentially unchanged from 1973 despite an extended shutdown last Fall during the expansion of the Nevis gas plant.

Substantial capital expenditures were incurred during 1974 to maintain production and add capacity in oil and gas installations. The Company participated in 57 development wells, mostly in Alberta, including a sour gas producer in the Stolberg area capable of flowing 20 million cubic feet per day. Most of the enlarged facilities of the wholly-owned Nevis plant are now in operation, while the last major expansion at the Judy Creek plant is also on stream. Still underway are a railway spur to transport sulphur from the Strachan plant and installation of compression facilities at Rimbey; both plants are operated by Gulf Canada.

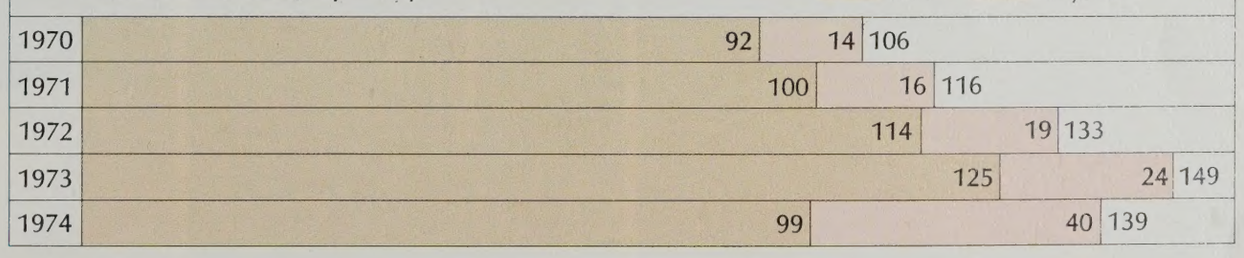
In the Mackenzie Delta, the Company's 1972 gas condensate discovery at Parsons Lake had two successful follow-up wells in 1974. Gulf Canada now has a 75 per cent interest in four gas and condensate wells in the Parsons area. Gas was also discovered on 75-per-cent-interest acreage at Ya Ya A-28, where nine different sands recorded gas flows of up to eleven million cubic feet per day. At least eight Delta wells are planned for the 1974-5 winter season, and at year-end four were underway.

Under the joint-venture agreement with Gulf Oil Corporation, three wildcats were abandoned in the Arctic Islands. The Neil well on northern Ellesmere Island earned the joint venture a 45 per cent interest in some 185,000 acres, while the Eglinton Island well earned the Gulf companies about 45 per cent in approximately 283,000 acres. On the East Coast, two wells on the joint venture's 30-million-acre Labrador shelf block were encouraging, testing flow rates of 13 and 20 million cubic feet daily at the Bjarni and Gudrid locations. This vast spread of acreage, in which the companies have a 16⅔ per cent interest, has now been tested by only three wells, and further delineation and new exploration drilling is scheduled for 1975.

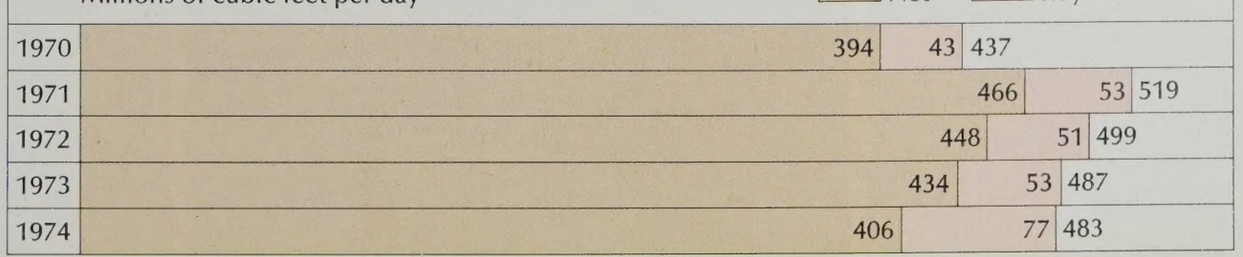
Further south on the Grand Banks, Gulf Canada has now essentially earned an undivided 25 per cent interest in a 12-million-acre spread via the farm-in route. Two wells at Dominion and Adolphus were drilled and abandoned during the past drilling season.

EXPLORATION AND PRODUCTION: *(large photo)* Operations in the Mackenzie Delta are supported from this base camp at Swimming Point, some 60 miles north of Inuvik, N.W.T. The *Pelican* drill ship *(left inset)* participated in two Company-interest gas discoveries on a 30-million-acre block off the coast of Labrador. A major expansion program to enlarge crude oil production capacity was completed late in the year at the wholly-owned Nevis, Alberta, gas plant *(top)*. Gulf Canada increased to 16.75 per cent its equity interest in the $2-billion Syncrude tar sands project *(lower)* following the withdrawal of a major participant.

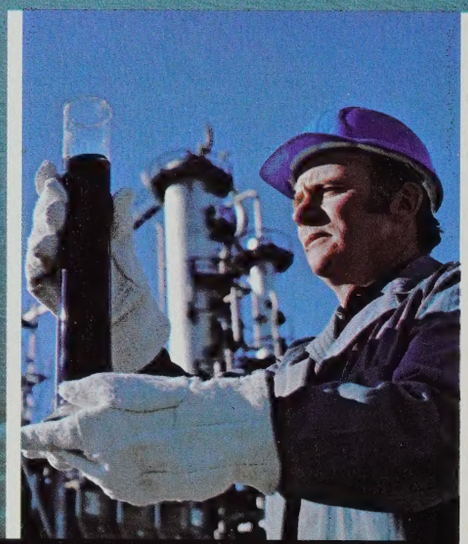
Crude and natural gas liquids produced
Thousands of barrels per day



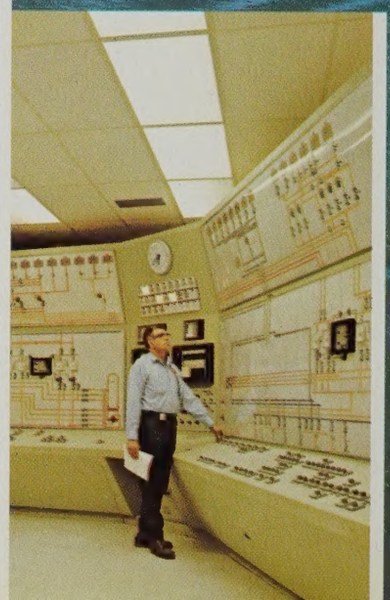
Natural gas produced and sold
Millions of cubic feet per day











REFINING: *(large photo)* A 25,000-barrel-per-day condensate facility is being added at Clarkson refinery to increase the manufacture of light oils. *Insets:* Total throughput of Gulf Canada's six refineries and two asphalt plants reached a new high in 1974. The 80,000-barrel-per-day Edmonton refinery *(left)* provides products for the prairie provinces.

In Alberta, a gas stepout from an earlier discovery well was recorded in the Erith area on a Devonian Swan Hills reef play 130 miles west of Edmonton. Another foothills stepout was drilled at Brown Creek, a 52-per-cent-interest well drilled under the terms of the Pan Ocean venture. This agreement will be terminated in early 1975 with Pan Ocean having spent its $17-million commitment to earn a 25 per cent interest in a selected 1.7 million net Gulf Canada acres in the western provinces.

In recognition of heavy oil as a potential source of future energy supply, 27 wells were drilled in Alberta to evaluate prospective reserves, and a small steam injection test at Wabasca, north of Edmonton, was conducted with inconclusive results. Government approval has been received for a six-well delineation program at Cold Lake and for further in situ testing and a pilot project at Wabasca.

Well Completion Data

Exploratory					
Gross wells	1974	1973	1972	1971	1970
Successful – oil	—	1	—	—	—
– gas	3	11	2	2	2
Dry holes	20	40	19	13	12
Frontier discoveries	4	4	1	—	—
Total	27	56	22	15	14
Net wells					
Successful – oil	—	—	—	—	—
– gas	1	8	1	2	1
Dry holes	11	25	11	10	6
Frontier discoveries	2	2	1	—	—
Total	14	35	13	12	7
Development					
Gross wells	1974	1973	1972	1971	1970
Successful – oil	30	24	35	39	10
– gas	20	10	11	14	33
Dry holes	7	6	6	14	3
Total	57	40	52	67	46
Net wells					
Successful – oil	12	7	5	12	3
– gas	6	3	3	3	9
Dry holes	5	5	3	6	1
Total	23	15	11	21	13

Estimated Recoverable Reserves Before Deducting Royalties as at December 31, 1974

Crude oil and natural gas liquids (millions of barrels)	496
Marketable natural gas (trillions of cubic feet)	2.9
Sulphur (millions of long tons)	5.0

No reserves in remote frontier areas are included

During 1974 Gulf Canada made a joint industry submission to the federal government covering preliminary engineering plans for gas development in the Mackenzie Delta, including environmental and social-economic aspects.

While current government policies have established royalties and income tax at levels that generally erode the economics of certain capital and exploratory ventures, Gulf Canada hopes that governments will soon modify their positions to encourage the level of activity required to ensure Canada's energy potentials. The Company will therefore continue in good faith in 1975 to explore the deep basin and foothills of Alberta as well as the frontier areas. While this level of activity will be lower than originally anticipated, it will be about the same as in the past two years.

Further progress was made in mine development and construction of a processing mill at the Rabbit Lake, Saskatchewan, uranium ore body in which Gulf Canada has a 5.1 per cent interest. Mill operations are scheduled to commence in the second quarter of 1975, with capacity production expected to be achieved by mid-year.

A joint-venture agreement has been executed with Gulf Minerals Canada Limited under which Gulf Canada may participate on an equal basis in all new exploration activities undertaken by Gulf Minerals. A promising start was made during the year in exploring for uranium and other base metals in a number of areas in Canada under the terms of this agreement. Gulf Canada also retains a ten per cent interest under a previous agreement with Gulf Minerals in certain uranium prospective lands in Saskatchewan on which exploration and development activities continued in 1974.

Refining

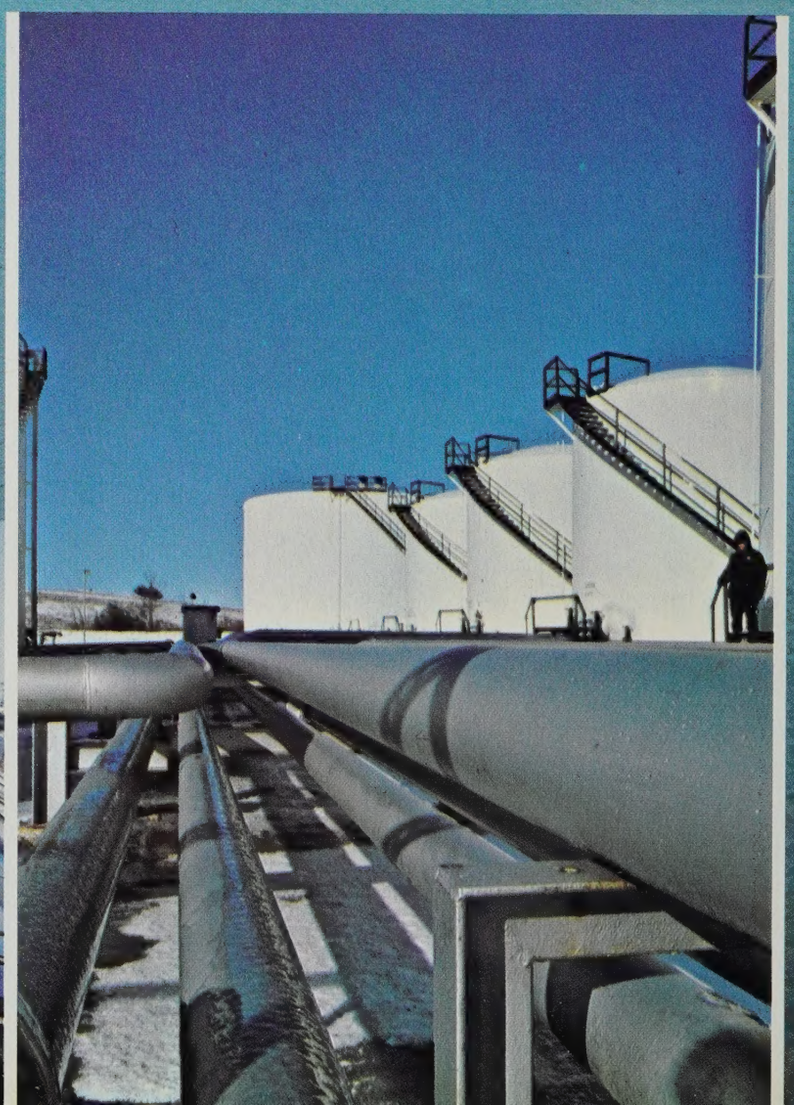
The strong impetus given to Canadian petroleum demands by the energy crisis in 1973 carried over into the first part of 1974 and resulted in Gulf Canada's total throughput increasing to 119.9 million barrels, up marginally from the previous year's record of 118.5 million barrels. The unusual growth in Gulf Canada's own demand offset the loss of a major processing agreement at the Point Tupper refinery in mid-year.

Refinery capacity was enlarged by 4,500 barrels per day as a result of an effective debottlenecking program, and a further 25,000 barrel-per-day increase will be achieved in the second quarter of 1975 with completion of the condensate unit at Clarkson refinery.

Foreign crude supply and scheduling, as well







SUPPLY AND TRANSPORTATION: *(large photo)* The supertanker *Universe Portugal,* largest ship to dock in a North American port, delivered 2.4 million barrels of crude oil to Point Tupper refinery in September. Weekly rail shipments of bunker fuel are loaded at Montreal East refinery *(left inset)* destined for a major customer at Sudbury, Ontario. Pipeline facilities *(right)* delivered record volumes during 1974.

Crude Processing Capacity

	Barrels per stream day
Point Tupper, Nova Scotia	87,000
Montreal East, Quebec	75,000
Clarkson, Ontario	66,500
Moose Jaw, Saskatchewan*	11,500
Calgary, Alberta*	7,500
Edmonton, Alberta	80,000
Kamloops, British Columbia	6,500
Port Moody, British Columbia	32,000
Total	366,000

*Asphalt plants

as light oil and bunker inventory problems resulting from the finished product import compensation program, caused a slowdown in refining operations during the last six months of the year. In November a five-day wildcat labor boycott at Kamloops refinery, coupled with a boiler explosion at Port Moody, resulted in the loss of about 250,000 barrels of throughput.

Labor problems of the prime contractor delayed completion of a new carbon monoxide boiler at Edmonton refinery until the first quarter of 1975. This unit will improve the operability and economics of the refinery, and will help the plant meet Alberta's stringent air emission regulations.

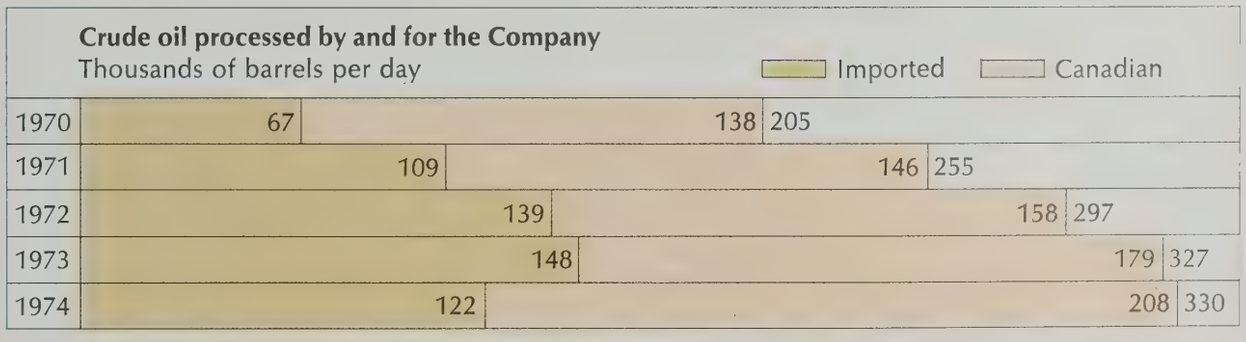
Major capital expenditures have been made to ensure that Gulf Canada installations conform to the changing environmental requirements of the communities involved. Over $1.6 million was spent on environmental improvement at five locations last year, and the 1975 budget includes $6.4 million to be spent on 14 projects at six locations, the largest commitment being at Clarkson refinery.

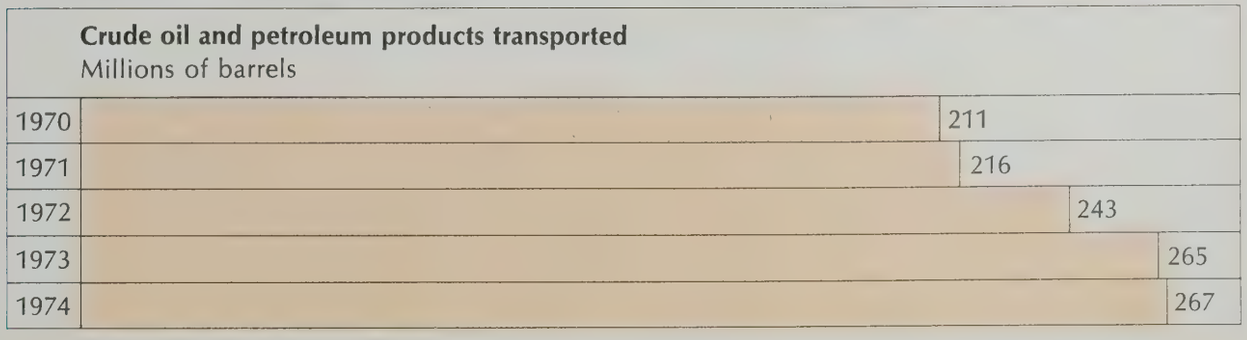
During the year much effort was directed to planning for the modernization of lube facilities at Clarkson. Although definitive engineering and some site clearance continued over the year-end, a capital cutback made necessary by changes in federal income taxes has delayed this program pending improvement of Gulf Canada's projected future cash position.

Supply and transportation

Much greater involvement of federal and provincial governments in setting new regulations, conditions, and restrictions has affected disposal arrangements of Canadian crude oil. Government controls on crude prices were continued, with the proceeds of the tax levied on exports being used to reduce the effect in Eastern Canada of the continued rising cost of foreign crude imports. Importers of oil into Eastern Canada were compensated for most of the price increases during the year so that product prices in Eastern Canada did not rise to international levels. The high federal export tax reduced U.S. demand for Canadian crude and resulted in prorationing of Alberta crude.

On December 1, 1974, the Alberta Petroleum Marketing Commission became the exclusive







CHEMICALS: *(large photo)* The Varennes, Quebec, plant is being expanded to supply feedstock to major customers. Pressurized tanks at Varennes *(right inset)* store ingredients for the manufacture of rubber. Bisphenol-A is tested for quality *(left)* at Montreal East chemicals plant.

seller of crude oil produced from crown leases. This Commission posts selling prices for Alberta crude oils and purchasers must now buy their requirements from the Commission.

To ensure adequate product supply, transshipment of Canadian crude from Vancouver to Eastern Canada via the Panama Canal continued in the first quarter, then reverted to movements from Ontario to Quebec via the St. Lawrence Seaway. Further export controls were initiated by the National Energy Board covering propane and butane and the Board also instituted minimum export prices approximately equal to U.S. posted prices for these products. The sales volume and price of sulphur rebounded significantly in 1974.

Transportation costs for both crude and products increased substantially. In addition, labor problems in rail and water transportation industries created difficulties in maintaining supplies to our customers. To reduce Gulf Canada's dependence on outside charters, the Company contracted for the construction of two 68,000-barrel ships which will be used for the movement of products in the Great Lakes and along the East Coast. Scheduled to commence service in 1976, the ships will be ice-strengthened and equipped with up-to-date navigation-pollution control equipment. Because of larger volumes and a cutback in rail service, Gulf Canada found it necessary to increase its tankcar fleet by ten per cent.

Throughput of the Gulf Alberta pipe line was down ten per cent due to the decline in export demand for Canadian crude oil. Expansion of the Alberta Products pipe line operated by Gulf Canada was largely completed by year-end.

Chemicals

By the beginning of 1974 Gulf Canada was in a position to benefit from improving conditions in the Canadian chemical industry. Several steps had been taken in prior years to convert the chemicals operation from an untenable loss situation to a viable business: management and operations were reorganized to a profit centre structure, marginal activities were terminated, new sales contracts were negotiated, and emphasis was placed on the most profitable lines of production. These corrective measures combined with a healthier business climate to boost chemical revenues by 74 per cent over the previous year and to achieve a record level of earnings.

The brighter outlook for the chemical industry, after many years of depressed conditions, has resulted from a combination of factors. The most significant was the development of world-wide shortages of chemicals under the influence of a strong demand and an inadequate production capacity. Higher costs and restrictions on availability of hydrocarbon feedstocks added to the shortages. Under these conditions, improved chemical prices were both necessary and obtainable. By renegotiating prices at mutually acceptable levels and maintaining production at high output, the Company gained significant benefits. One unfortunate note was the labor dispute which delayed completion of the expanded Varennes olefins plant to 1975.

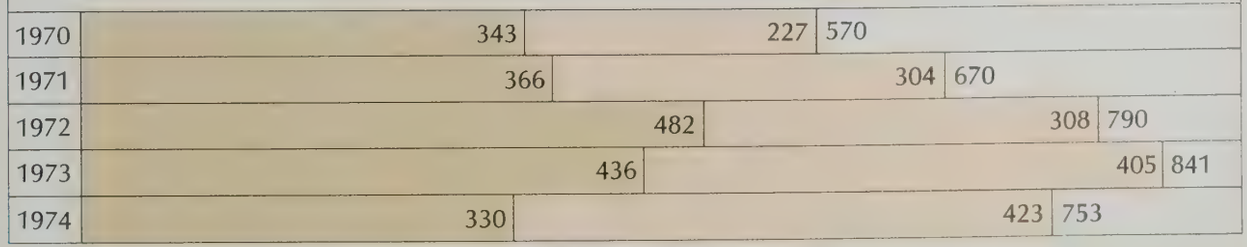
Other factors which will contribute to future profitability are the continued supply of vinyl chloride monomer from the Varennes plant to B. F. Goodrich based on a new commercial arrangement and a major acetylene sale to a newly-formed company in Shawinigan, Quebec.

Marketing

The year opened with some doubt as to the adequacy of product supply to meet winter demands but, fortunately, emergency distribution plans for the allocation of available product were not required. At year-end a reversal of this situation existed, with growing surpluses, especially in Eastern Canada, forcing selling prices lower than levels established in the first half of the year.

Sales of petroleum products, as well as tires, batteries and accessories, showed gains in 1974 and preliminary estimates indicate that

Petrochemical sales
Millions of pounds




Gulf
Gulf
PREMIUM
Futura
Gulf

MARKETING: *(large photo)* Self-serve outlets continue to attract a large share of the motorist market. *Insets:* Over 500 stations now offer Futura no-lead gasoline. Coal Harbour terminal at Vancouver services wide range of marine trade. A newly-developed rock drill oil was introduced to the mining industry.

Gulf Canada has continued to enlarge its share of these markets.

Throughout 1974 the Company supported the federal government's voluntary price freeze, and any changes in wholesale prices followed the guidelines of the federal and some provincial governments to reflect the higher costs of crude oil and operating expenses. These guidelines fell far short of inflationary costs, and the Company is continuing to improve its operations to help offset the effects of these restraints.

In gasoline retailing, Gulf Canada expanded its chain of self-serve outlets which have proved popular with motorists. The savings resulting from reduced distribution costs at these locations are passed on to the motorist.

A bunker fuel contract to supply a major mining company in Sudbury, Ontario, has initiated the use of a 42-tankcar-unit train for the run from Montreal refinery. This specially designed train, equipped with facilities for fast loading and unloading, is an effective step in streamlining rail movement of bulk products.

Superior Propane increased both its sales volumes and profits in the face of difficult market conditions. Propane users in Canada were placed in the position of buying energy requirements at or near prevailing world prices whereas consumers of other types of energy enjoyed the benefit of subsidies. In Alberta prices were frozen at 1973 levels which failed to take into account the many other escalating costs involved in product distribution.

New uses continue to be found for propane. One of the more interesting in 1974 was its application as a heating fuel during construction of the new communications tower in Toronto, the world's highest structure.

Research and development

A process has been developed which enables conventional road-building equipment to incorporate sulphur into asphalt. The mixture, in which sulphur replaces up to 50 per cent of the asphalt, is being tested both in new roads and in strengthening existing highways.

Among products introduced in 1974 were a superior line of Gulflex greases for general industrial use, an automatic transmission fluid, and an improved windshield washer anti-freeze which remains effective at temperatures as low as —40°F.

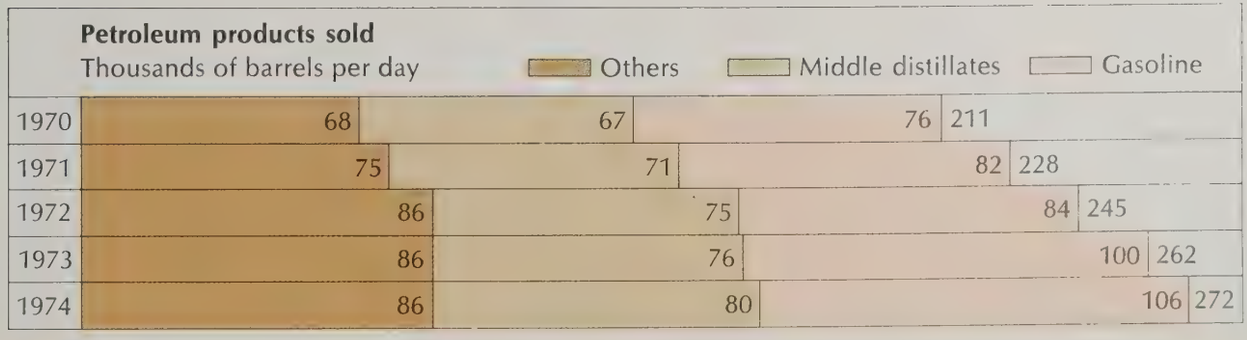
World-wide recognition of the Gulf Canada-patented low-pollution industrial Vortometric Oil Burner continued and at year-end there were eight licensees in North America, Europe and Japan.

As part of its continuing program to protect the environment, the Company's mobile laboratory tested the air-water quality and noise levels at refining and chemical facilities across Canada. In connection with the proposed natural gas pipeline from the Mackenzie Delta, analytical and phase behavioral studies continue to provide the data required for engineering design under the exacting climatic conditions in the Arctic.

Employee and public relations

Labor agreements, negotiated with all independent bargaining groups for a one-year period ending March 31, 1975, provided a ten per cent increase effective April 1, 1974, and a 31-month contract signed with the O.C.A.W. international union in 1973 continued throughout 1974. The abnormal economic conditions of the past year, not foreseen at the time of contract negotiations, necessitated additional wage adjustments and raised the total increase during the year to 14 per cent. In addition, a special bonus of one-half month's pay was granted to all employees, regardless of union affiliation.

Employee-oriented programs developed during the year included a Canada-wide video cassette network to assist in training and communicating with employees and the introduction of Flextime and special shift schedules. In the field of safety, the President's Incentive Award, signifying 365 days or one million manhours worked without a dis-



abling injury, was won by 1,935 employees in 21 units throughout the Company.

In the province of Quebec, Gulf Canada is investigating the implications of Bill 22 as it applies to the use of French as the working language. In Western Canada, the Company is continuing to co-ordinate its employment programs with those of government and industry in training natives for meaningful work in the developing frontier areas.

Gulf Canada continues to commit itself as a socially-responsible company on various fronts.

In further attempts to protect the physical environment, additional water and air purification equipment was installed at several locations, contingency plans for spills were updated, more emergency equipment was deployed in sensitive areas, and employees were trained in spill prevention and emergency operation.

The Company supported a wide range of community activities not only with dollars but with dedicated individuals who identified themselves with projects or campaigns of their choice. Under a broadened donations policy, both nationally and locally, universities, hospitals and social and cultural agencies in all parts of Canada benefitted, while Gulf Canada's aid-to-education program increased its assistance to students receiving scholarships and fellowships.

On the informational side, a continuing flow of industry-related information was provided to shareholders, dealers, employees and various publics in an effort to explain the fast-moving developments and often confusing situations with which the petroleum industry is faced today.

Financial review

Consolidated net earnings for the year amounted to $161.0 million or $3.54 per share, an increase of 61 per cent over the 1973 earnings of $100.2 million or $2.20 per share. The 1973 earnings have been restated from those previously reported to reflect the adoption retroactively of tax allocation accounting for timing differences related to successful well and lease acquisition costs.

Details of revenues which totalled $1,516.2 million, up $456.2 million from the previous year, are shown in Table I.

Expenses before income and other taxes increased $317.9 million to $1,149.8 million. Much of this increase was due to crude oil purchases, reflecting not only the higher unit costs but also a substantial rise in the volumes of crude oil which had to be purchased because of the increased share of the Company's gross production taken as royalties by provincial governments. Other factors included higher costs of products and merchandise as well as escalating costs of labor, materials and other expenses. Exploration and dry hole expenses totalled $48.9 million, an increase of $19.8 million over 1973.

Income and other taxes amounted to $205.4 million, compared with $127.9 million in 1973. As shown in Table II, total taxes, royalties and other payments to governments borne by the Company amounted to $301.6 million, an increase of $142.3 million over 1973.

The 1974 earnings represent a rate of return of 14.7 per cent on capital employed in the business. The high rate of inflation currently being experienced greatly increases the Company's operating costs as well as amounts required to finance capital projects, inventories, and exploration programs. Under these conditions it is essential that earnings and the rate of return be main-

tained at a level needed to generate the funds required to carry these higher costs and investments.

Working capital at December 31, 1974, amounted to $357.7 million, an increase of $6.2 million during the year. Long term debt was substantially reduced as the holders of 8½ per cent debentures maturing in 1989 elected to have $45.4 million of the issue prepaid on December 1, 1974. In addition, debentures totalling $50 million and maturing in 1990 but which are subject to prepayment in 1975 at the option of the holders, have been included in current liabilities in the financial statements.

Dividends declared during 1974 totalled $36.4 million or 80 cents per share. An extra dividend of ten cents per share was paid on July 1, and for the last two quarters the regular dividend was increased five cents to 20 cents per share. Actual payments to shareholders amounted to 75 cents per share as the dividend for the last quarter is not paid until January 2 of the following year.

Table III provides details of capital expenditures in 1974 and 1973 by major operating department.

A comparison of earnings by quarter for the two years is shown in Table IV with the results for the second and third quarters of 1974 being restated to reflect the effect of the income tax changes proposed in the November 18, 1974, federal budget, many of which were retroactive to May 7.

Total capital employed at December 31, 1974, was $1,164 million. Total shareholders' equity amounted to $898 million or 77 per cent of total capital employed.

Table I—Revenues

	1974	1973	Increase
		(millions)	
Refined products	$1,036.5	$ 719.5	$ 317.0
Natural gas, natural gas liquids and crude oil	195.3	131.4	63.9
Chemicals	94.8	62.2	32.6
Other operating revenues	150.2	119.3	30.9
Investment and sundry income	39.4	27.6	11.8
Total	$1,516.2	$1,060.0	$ 456.2

Table II—Taxes and Other Government Revenues

	1974	1973	Increase
		(millions)	
From Gulf Canada			
Income taxes	$ 124.5	$ 59.9	$ 64.6
Other taxes	80.9	68.0	12.9
Petroleum and natural gas lease payments	12.4	7.1	5.3
Crown royalties	83.8	24.3	59.5
Sub total	$ 301.6	$ 159.3	$ 142.3
Collected for governments			
Gasoline and fuel taxes	$ 209.6	$ 199.5	$ 10.1
Crude oil export taxes	64.9	3.6	61.3
Grand total	$ 576.1	$ 362.4	$ 213.7

Table III—Expenditures on Property, Plant and Equipment

	1974	1973	Increase
		(millions)	
Production	$ 61.2	$ 27.7	$ 33.5
Transportation	3.4	.6	2.8
Refining	13.2	11.2	2.0
Petrochemicals	9.7	1.8	7.9
Marketing	27.4	25.5	1.9
Other	1.0	.8	.2
Total	$ 115.9	$ 67.6	$ 48.3

Table IV—Earnings by Quarter

	1974	1973	Increase
		(millions)	
1st Quarter	$ 41.8	$ 20.8	$ 21.0
2nd Quarter	40.5	20.9	19.6
3rd Quarter	37.1	25.5	11.6
4th Quarter	41.6	33.0	8.6
Total	$ 161.0	$ 100.2	$ 60.8

Consolidate

Decemb

Assets	1974	1973
	(millions of dollars)	
Current:		
Cash	$ 26.1	$ 15.8
Marketable securities, at cost (approximates market value)	118.9	172.7
Accounts receivable (Note 2)	407.4	230.1
Inventories of crude oil, products and merchandise	246.0	158.5
Materials, supplies and prepaid expenses	26.8	18.1
Total current assets	825.2	595.2
Investments, Long Term Receivables and Other Assets:		
Investment in associated and other companies (Note 3)	18.1	18.4
Deposits, long term receivables and other assets (Note 4)	41.8	39.5
	59.9	57.9
Property, Plant and Equipment at Cost less accumulated depreciation, depletion and amortization (Note 5)	746.1	714.2
	$1,631.2	$1,367.3

(See accompanying notes to financial statements)

Auditors' Report

To the Shareholders of
Gulf Oil Canada Limited:

We have examined the consolidated balance sheet of Gulf Oil Canada Limited and subsidiary companies as at December 31, 1974 and the consolidated statements of earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
February 7, 1975.

Canada Limited

balance sheet

31, 1974

Liabilities	1974	1973
	(millions of dollars)	
Current:		
Accounts payable and accrued liabilities	$ 288.3	$ 154.8
Income and other taxes payable	113.3	77.8
Current portion of long term debt (Note 7)	56.8	4.3
Dividends payable	9.1	6.8
Total current liabilities	467.5	243.7
Long Term Debt (Note 7)	102.6	196.0
Deferred Income Taxes (Note 8)	162.8	153.9
Shareholders' Equity		
Capital stock (Note 9)	280.9	280.9
Retained earnings	617.4	492.8
Total shareholders' equity	898.3	773.7
	$1,631.2	$1,367.3

On behalf of the Board:

Jerry McAfee, Director

Beverley Matthews, Director

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in tax allocation accounting referred to in note 8 to the financial statements, on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.,
Chartered Accountants.

Gulf Oil Canada Limited

Consolidated statements of earnings

Year ended December 31, 1974

Earnings

	1974	1973
	(millions of dollars)	
Revenue:		
Net sales and other operating revenues	$1,476.8	$1,032.4
Investment and sundry income	39.4	27.6
	1,516.2	1,060.0
Expenses:		
Purchased crude oil, products and merchandise	652.3	416.4
Operating and exploration expenses	198.4	143.1
Selling, general and administrative expenses	214.8	185.2
Depreciation, depletion and amortization (Note 6)	70.4	72.3
Interest on long term debt	13.9	14.9
	1,149.8	831.9
Earnings before income and other taxes	366.4	228.1
Taxes		
Taxes other than taxes on income	80.9	68.0
Income taxes (includes deferred income taxes of $8.9 in 1974; $7.5 in 1973) (Note 8)	124.5	59.9
	205.4	127.9
Earnings for the Year	$ 161.0	$ 100.2
Earnings per share	$ 3.54	$ 2.20

Retained Earnings

Balance, beginning of the year as previously reported		$ 461.2
Deduct deferred income taxes with respect to successful well and lease acquisition costs (Note 8)		36.8
Balance, beginning of the year, as restated	$ 492.8	$ 424.4
Add earnings for the year	161.0	100.2
	653.8	524.6
Deduct dividends on common shares	36.4	31.8
Balance, end of the year	$ 617.4	$ 492.8

(See accompanying notes to financial statements)

Gulf Oil Canada Limited

Consolidated statement of changes in financial position

Year ended December 31, 1974

	1974	1973
	(millions of dollars)	
Source of Funds:		
From operations*	$ 237.8	$ 178.1
Sales of properties	14.1	10.5
Long term obligations	13.6	10.5
Sale of investments	2.3	—
	267.8	199.1
Use of Funds:		
Additions to property, plant and equipment	115.9	67.6
Reduction in long term debt (Note 7)	106.9	9.9
Dividends	36.4	31.8
Other (net)	2.4	(.3)
	261.6	109.0
Increase in working capital	$ 6.2	$ 90.1
Working Capital Changes:		
Increase (decrease) in current assets –		
Cash and marketable securities	$ (43.5)	$ 105.0
Accounts receivable	177.3	39.6
Inventories and materials	96.2	28.1
	230.0	172.7
Less increase in current liabilities –		
Accounts and dividends payable	135.8	39.3
Income and other taxes payable	35.5	40.6
Current portion of long term debt	52.5	2.7
	223.8	82.6
Increase in working capital	$ 6.2	$ 90.1
Working capital, beginning of the year	351.5	261.4
Working capital, end of the year	$ 357.7	$ 351.5

*Net earnings adjusted for charges or credits not affecting working capital.

(See accompanying notes to financial statements)

Notes to consolidated financial statements

Year ended December 31, 1974

1. Accounting Policies

Principles of consolidation—

The accounts of the company and all subsidiary companies are included in the financial statements.

Investments in less than 50 per cent owned joint venture companies are accounted for on the equity basis.

U.S. dollar liabilities—

Liabilities in U.S. dollars have been translated to Canadian dollars at year-end rates of exchange.

Inventories—

Inventories of crude oil, products and merchandise are valued generally at the lower of cost applied on a "first-in, first-out" basis or market value determined on the basis of replacement cost or net realizable value. Materials and supplies are valued at cost or lower, depending on the condition of the items.

Exploration and development costs—

Exploration expenditures, including geological and geophysical costs, annual rentals on exploratory acreage and dry hole costs are charged to expense. Costs of drilling discovery wells in remote frontier areas where future production is not reasonably assured are also charged to expense.

The initial acquisition costs of oil and gas properties together with the costs of drilling and equipping successful wells (other than discovery wells in remote frontier areas) are capitalized.

Depreciation, depletion and amortization—

Capitalized costs of oil and gas properties and drilling and equipping wells are charged against earnings on the unit-of-production method using estimated recoverable oil and gas reserves. Charges are made against earnings for depreciation of investment in plant and equipment based on the estimated remaining useful lives of the assets using either the straight-line or the unit-of-production method, whichever is appropriate.

Income taxes—

The company provides for income taxes on the tax allocation basis whereby the provision for income taxes each year is computed on the basis of the depreciation and other charges reflected in the statement of earnings rather than the related amounts claimed as deductions in the company's tax return. (see note 8)

Gasoline, fuel and export taxes—

Gasoline and fuel taxes collected for the provincial governments and export taxes collected for the federal government are not included in revenues and expenses.

Crude oil transactions—

In addition to its own net production, the company purchases large volumes of crude oil from other producers and sells whatever crude oil is not required for its own refineries to other companies in the oil industry. It is the company's practice for the most part to offset crude oil sales ($991 million in 1974 and $584 million in 1973) against crude oil purchases and thus exclude such transactions from both revenues and costs.

Oil import compensation program—

Under the oil import compensation program the federal government agreed, effective January 1, 1974, to compensate eligible importers for certain cost increases with respect to petroleum imported for consumption in Canada, provided the importing company voluntarily maintained prices for products obtained from imported petroleum at the level suggested by the Government. Compensation received or recoverable under this program is reflected as a reduction of the cost of purchased crude oil.

2. Accounts Receivable

Accounts receivable consist of the following:

	1974	1973
	(millions of dollars)	
General trade receivables	$294.8	$204.7
Advances and sundry receivables	41.0	25.4
Oil import compensation recoverable*	71.6	—
	$407.4	$230.1

Recoverable upon the filing of the necessary claims in 1975 when final documentation becomes available.

3. Investments in Associated and Other Companies

	1974	1973
	(millions of dollars)	
At cost:		
With quoted market value (based on closing prices at end of each year)—		
1974—$30.0 million; 1973—$52.5 million	$ 4.3	$ 4.9
Without quoted market value	.1	.3
	4.4	5.2
At equity:		
Investment in joint venture companies at cost plus equity in undistributed earnings	13.7	13.2
	$18.1	$18.4

4. Deposits, Long Term Receivables and Other Assets

Other assets include $8.4 million ($9.0 million in 1973) of excess cost of businesses acquired previously shown as a separate item.

5. Property, Plant and Equipment

	Gross investment at cost	Accumulated depreciation, depletion and amortization	Net investment 1974	Net investment 1973
	(millions of dollars)			
Production	$ 530.9	*$256.4	$274.5	$242.7
Transportation	32.1	18.0	14.1	11.7
Refining and petrochemicals	530.5	262.6	267.9	275.3
Marketing	316.7	138.7	178.0	172.8
Other	22.6	11.0	11.6	11.7
	$1,432.8	$686.7	$746.1	$714.2

Includes accumulated depletion of $42.3 million with respect to the acquisition costs of productive properties.

6. Depreciation, Depletion and Amortization

Depreciation, depletion and amortization in the statement of earnings consist of:

	1974	1973
	(millions of dollars)	
Depreciation of plant and equipment	$58.3	$57.6
Depletion of acquisition costs of productive properties	2.8	3.0
Amortization of non-producing properties, drilling costs and other intangible assets	9.3	11.7
	$70.4	$72.3

7. Long Term Debt

	Maturity	Amount
		(millions of dollars)
Debentures		
4¾%	1975	$ 6.0
5⅛%, Series A	1977	6.1
5¾%, Series B	1982	4.9
5¼%, Series C (U.S. $9.3 million)	1982	9.2
7⅜%, Series D	1978	10.0
7⅜%, Series E	1988	35.9
8½%	1989	4.6
8⅝%-8½% (a)	1990	50.0
Interest free loans (b)		26.0
Other long term obligations	varying dates	6.7
		159.4
Less instalments due within one year included in current liabilities (a)		56.8
		$102.6

All debenture issues except Series D require sinking fund payments by the companies.

Approximate annual instalments of long term debt due (including maximum amounts that may be repayable under (a) and (b) below) in the next five years are:

1975–$56.8 million; 1976–$2.5 million; 1977–$8.5 million; 1978–$24.6 million; 1979–$18.0 million.

(a) Between March 15, 1974 and March 15, 1975 the holders of such debentures may elect to have the company prepay the principal amount on September 15, 1975. No significant elections have been made to December 31, 1974 but in view of the prevailing interest rates, the total principal amount has been included in 1975 instalments.

(b) Under terms of an agreement for exploration and development of certain properties these loans are repayable in varying amounts commencing no earlier than 1978.

8. Income Taxes

In accordance with rulings by the Provincial Securities Commissions in Canada, the company retroactively adopted tax allocation accounting for timing differences relating to successful well and lease acquisition costs effective January 1, 1974. Accordingly the financial statements reflect a charge to retained earnings (with a corresponding increase in deferred income taxes) of $36.8 million as at January 1, 1973 and the restatement of 1973 figures. The effect of this change was an increase in net earnings of $1.8 million in 1974 (a decrease of $1.5 million in 1973).

The operations of the company are complex and the income tax legislation and regulations are amended frequently. The company has made what it believes to be adequate provision for income taxes including the estimated effect of income tax changes proposed in the November 18, 1974 Federal Budget and subsequent Provincial Government announcements.

9. Capital Stock

Shares without nominal or par value:

Authorized – 68,000,000
Issued – 45,492,906

The company's incentive stock option plan provides for the granting of options to purchase common shares of the company at the market price on the day when the options are granted. Under the plan, options become exercisable after one year's continuous employment immediately following the date the options are granted and are for a period of ten years. No options were granted or exercised in 1974.

At December 31, 1974 4,500 common shares were under option to officers at a price of $\$18^{11}/_{16}$ per share. These options have a normal expiry date of October 4, 1977.

10. Pension Plans

The company has pension plans covering substantially all employees. The contributions by employees, together with those made by the company, are deposited with insurance companies and/or trustees according to the terms of the plans. Pensions at retirement are related to remuneration and years of service. The amounts charged to income (including amounts paid to government pension plans) were $5.2 million during 1974 and $6.1 million in 1973, which amounts included amortization of prior service costs. The unfunded prior service pension costs were approximately $14.6 million at December 31, 1974 (of which approximately $8.3 million represents the actuarially computed value of vested benefits) and these will be funded and charged to earnings over the next fifteen years.

11. Amounts Owing to and from Affiliated Companies

Amounts owing to and from affiliated companies, all of which arose in the normal course of business, were $69.3 million and $19.3 million respectively at December 31, 1974 ($32.9 million and $13.9 million respectively at December 31, 1973).

12. Commitments and Contingent Liabilities

Syncrude Project – The company has an interest in a project (operated by Syncrude Canada Ltd.) for the extraction of oil from Athabasca Oil Sands Leases in the Province of Alberta. After withdrawal of one of the participants in December, 1974, new participants were sought and in February, 1975 the Governments of Canada, Alberta and Ontario agreed to participate in the project. Total project costs for the construction of the 125,000 barrel-a-day plant, expected to be completed in 1978, are estimated to approximate $2 billion. Under the announced arrangements, Gulf Canada's interest (16.75 per cent) will involve a total commitment of $335 million and will in part be financed through a loan of $100 million from the Government of Alberta on terms to be negotiated. Through options held by the Government of Alberta, the company's interest could be reduced to about 9 per cent with a corresponding reduction in its investment.

The company has other commitments in the ordinary course of business for the acquisition or construction of fixed assets and the purchase of materials and services and contingent liabilities under various guarantees which are not significant in relation to net assets.

Rentals under long term leases for real property and other facilities approximate $20.0 million annually. Under certain of these long term leases, the company has the option to purchase the leased assets and is obligated to make advances from time to time which will be applied against the purchase price if the option is exercised. It is estimated that such advances will aggregate approximately $20.4 million over the terms of the lease agreements (which expire in 1982). Advances to December 31, 1974 amounted to $8.5 million and during the next five years will aggregate approximately $6.4 million of which $1.1 million will be payable in 1975.

13. Remuneration of Directors and Officers

The aggregate remuneration in 1974 of the company's twelve directors as directors was $80,000. Two directors were also officers of the company during the same period. The aggregate remuneration during 1974 of the company's officers (which includes fifteen past officers) as officers was $1,425,000. No directors or officers of the company received any remuneration from a subsidiary of the company.

14. Reclassification of Comparative Figures

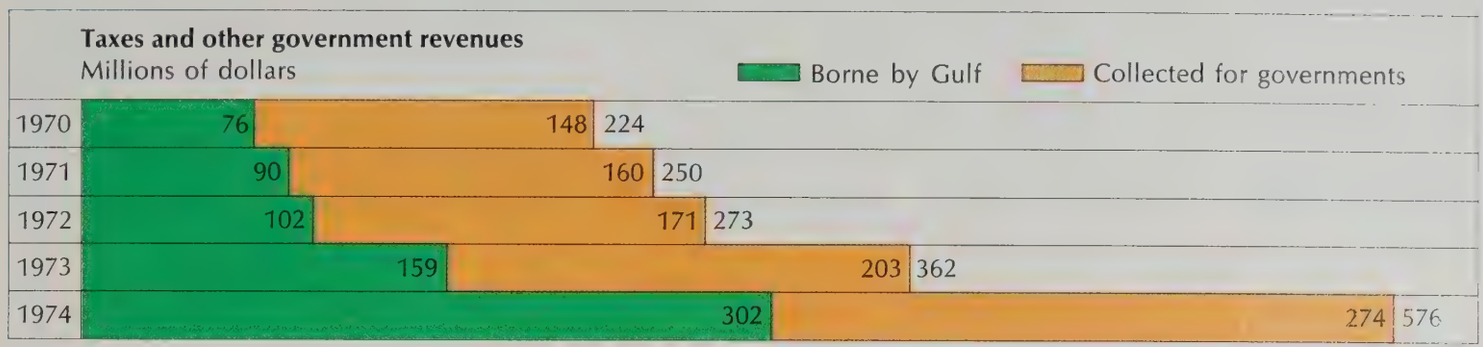
Certain 1973 figures have been reclassified to conform with 1974 presentation.

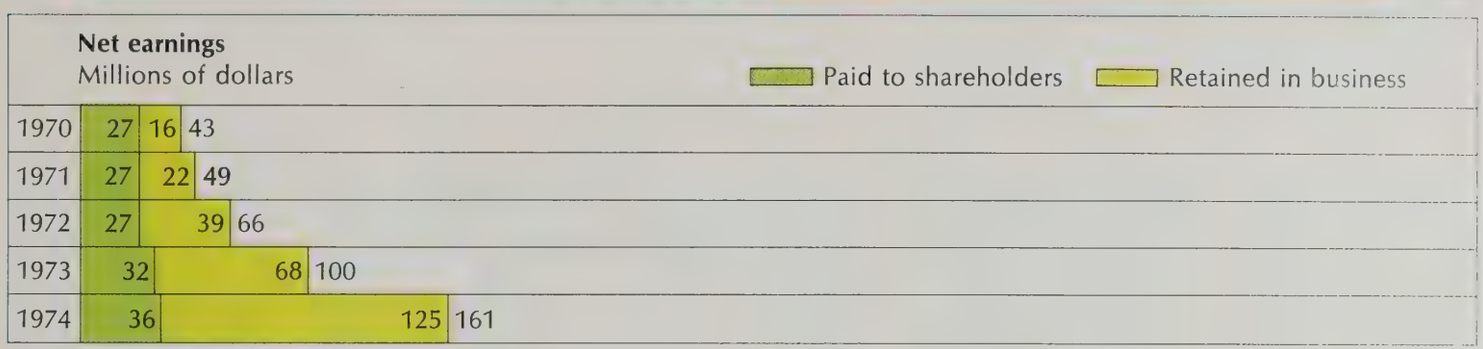
Five year financial summary

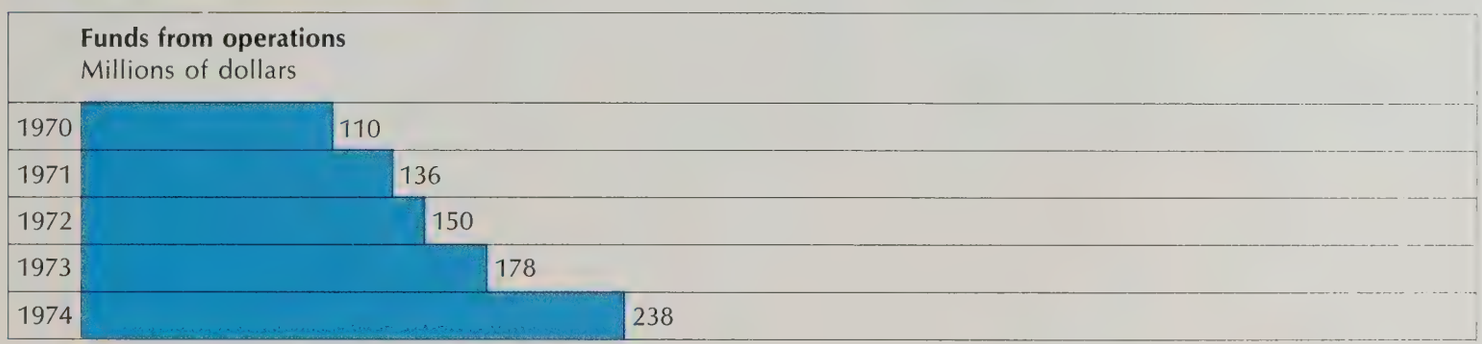
Amounts, except for unit statistics, expressed in millions of dollars

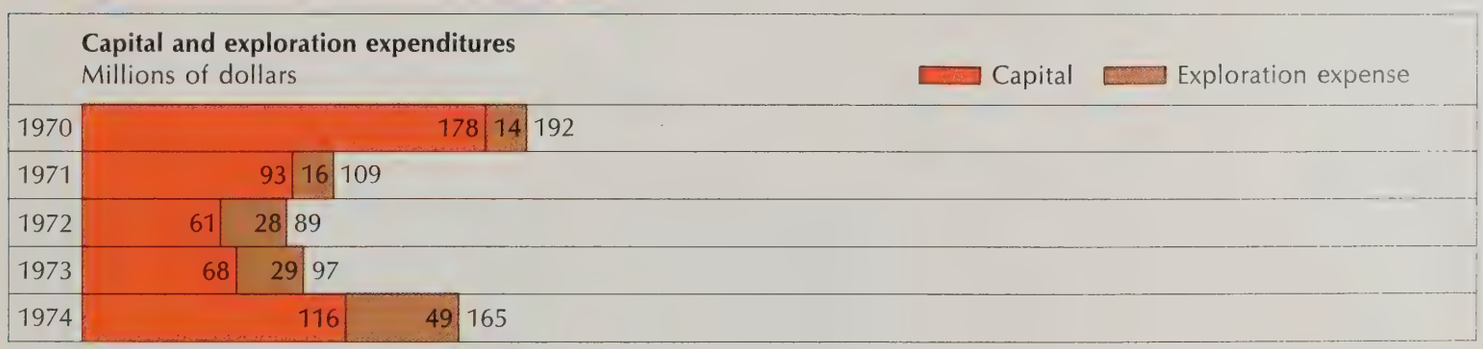
	1974	1973	1972	1971	1970
Balance Sheet					
Current assets	$ 825.2	$ 595.2	$ 422.4	$ 366.3	$ 354.1
Deduct: Current liabilities	467.5	243.7	161.1	173.4	176.9
Working capital	357.7	351.5	261.3	192.9	177.2
Property, plant and equipment – net	746.1	714.2	722.7	733.5	706.8
Investments, long term receivables and other assets	59.9	57.9	63.0	69.0	74.3
Capital employed	1,163.7	1,123.6	1,047.0	995.4	958.3
Deduct: Long term debt	102.6	196.0	195.4	199.3	205.1
Deferred income taxes	162.8	153.9	146.3	130.4	110.5
Shareholders' equity	$ 898.3	$ 773.7	$ 705.3	$ 665.7	$ 642.7
Per share	19.75	$ 17.01	$ 15.51	$ 14.65	$ 14.16
Capital Expenditures					
New property, plant, and equipment	$ 115.9	$ 67.6	$ 58.3	$ 91.1	$ 178.3
Fixed assets of acquired subsidiaries	—	—	2.5	2.0	.1
	$ 115.9	$ 67.6	$ 60.8	$ 93.1	$ 178.4
Earnings					
Total revenue	$1,516.2	$1,060.0	$ 874.4	$ 795.1	$ 695.9
Deduct:					
Exploration and dry hole costs	48.9	29.1	28.1	15.9	13.7
Depreciation, depletion and amortization	70.4	72.3	65.6	55.6	54.5
Purchases and other expenses	1,030.5	730.5	635.1	598.7	525.2
	1,149.8	831.9	728.8	670.2	593.4
Earnings before taxes and extraordinary items	366.4	228.1	145.6	124.9	102.5
Taxes:					
Taxes, other than income taxes	80.9	68.0	50.1	45.2	39.2
Income taxes	124.5	59.9	29.1	25.7	21.6
	205.4	127.9	79.2	70.9	60.8
Earnings before extraordinary items	161.0	100.2	66.4	54.0	41.7
Extraordinary items	—	—	—	(4.7)	1.2
Earnings for the year	$ 161.0	$ 100.2	$ 66.4	$ 49.3	$ 42.9
Rate of Return					
On average capital employed	14.7	10.0	7.3	6.3	5.4
On average shareholders' equity	19.3	13.6	9.7	8.3	6.6
Funds from Operations	$ 237.8	$ 178.1	$ 149.9	$ 135.9	$ 110.0
Dividends Paid	$ 36.4	$ 31.8	$ 27.3	$ 27.3	$ 27.2
Per Share					
Earnings before extraordinary items	$ 3.54	$ 2.20	$ 1.46	$ 1.19	$.92
Earnings for the year	$ 3.54	$ 2.20	$ 1.46	$ 1.08	$.94
Cash dividends	$.80	$.70	$.60	$.60	$.60

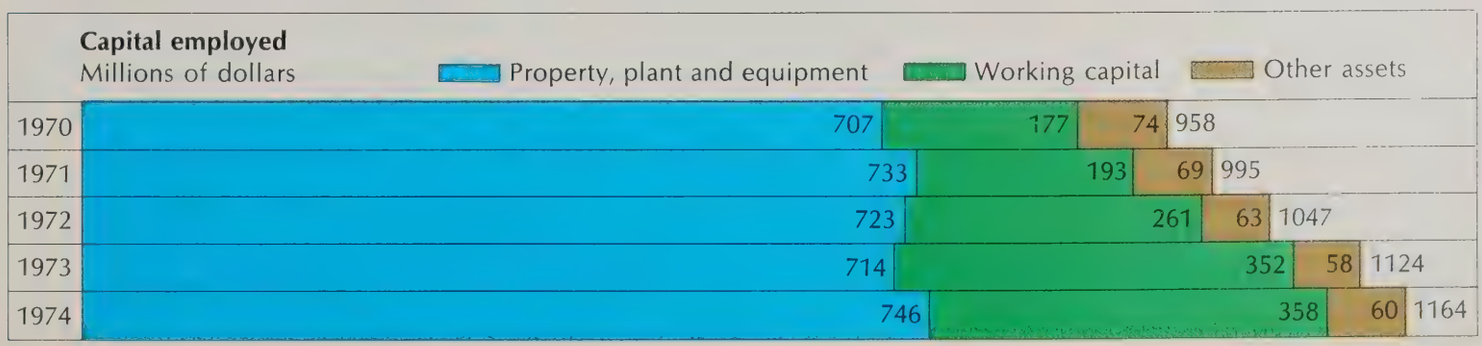
Note: *Amounts shown have been restated, where necessary, to be comparable with 1974.*


Taxes and other government revenues
Millions of dollars
Borne by Gulf
Collected for governments
1970 76 148 224
1971 90 160 250
1972 102 171 273
1973 159 203 362
1974 302 274 576


Net earnings
Millions of dollars
Paid to shareholders
Retained in business
1970 27 16 43
1971 27 22 49
1972 27 39 66
1973 32 68 100
1974 36 125 161


Funds from operations
Millions of dollars
1970 110
1971 136
1972 150
1973 178
1974 238

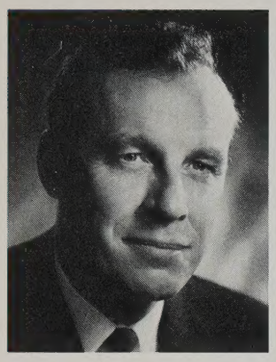

Capital and exploration expenditures
Millions of dollars
Capital
Exploration expense
1970 178 14 192
1971 93 16 109
1972 61 28 89
1973 68 29 97
1974 116 49 165


Capital employed
Millions of dollars
Property, plant and equipment
Working capital
Other assets
1970 707 177 74 958
1971 733 193 69 995
1972 723 261 63 1047
1973 714 352 58 1124
1974 746 358 60 1164

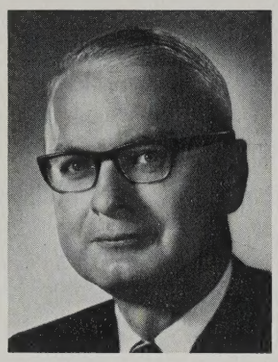
Five year summary of operations

	1974	1973	1972	1971	1970
Crude and Natural Gas Liquids Produced					
(thousands of barrels)					
Gross	50,784	54,476	48,514	42,285	38,855
Net	36,210	45,613	41,662	36,538	33,643
Per day – gross	139	149	133	116	106
– net	99	125	114	100	92
Crude Oil Processed by and for the Company					
(thousands of barrels)					
Total	120,623	119,413	108,780	92,957	74,744
Per day	330	327	297	255	205
Petroleum Products Sold					
(thousands of barrels)					
Total	99,426	95,550	89,852	83,097	77,111
Per day	272	262	245	228	211
Natural Gas Produced and Sold					
(millions of cubic feet)					
Gross	176,473	177,789	182,680	189,461	159,378
Net	148,011	158,510	164,140	170,214	143,862
Per day – gross	483	487	499	519	437
– net	406	434	448	466	394
Petrochemical Sales					
(thousands of pounds)					
Total	752,827	841,204	790,239	670,259	570,050
Per day	2,063	2,305	2,159	1,836	1,562
Sulphur Sales					
(long tons)					
Total	272,985	203,079	176,471	164,324	152,236
Per day	748	556	482	450	417
Net Wells Capable of Producing at Year-End	1,438	1,453	1,468	1,482	1,585
Net Wells Drilled	37	50	24	33	20
Net Acreage under Lease Reservation and Option					
(thousands of acres)	24,631	25,668	24,090	27,463	27,140

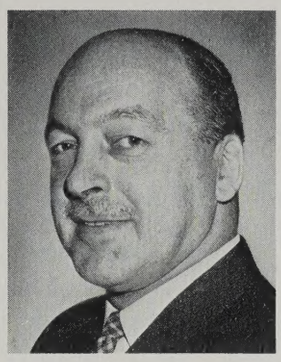
Directors



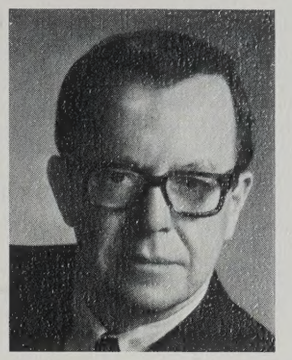
R. J. Butler
Chairman of the Board, The T. Eaton Co. Limited, Toronto, Ontario. Director: National Trust Company Limited.



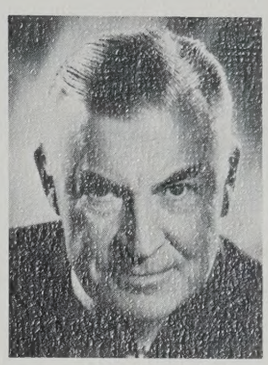
E. H. Crawford
President, The Canada Life Assurance Company, Toronto, Ontario. Director: Canadian Imperial Bank of Commerce; Canborough Corporation.



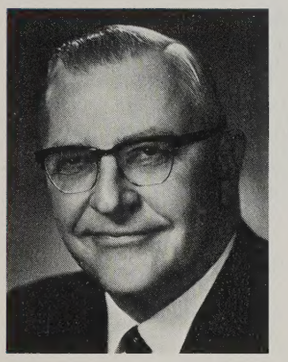
E. F. Crease
President, Alfred J. Bell & Grant Limited, Halifax, Nova Scotia. Director: Canada Permanent Trust Company; Eastern Canada Savings and Loan Company; Halifax Atlantic Investments Ltd.



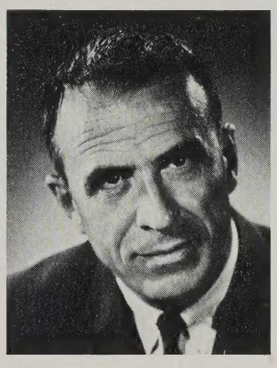
J. Peter Gordon
President and Chief Executive Officer, The Steel Company of Canada, Limited, Toronto, Ontario. Director: The International Nickel Company of Canada Limited; Bank of Montreal; Canadian General Electric Company Limited; Sun Life Assurance Company of Canada.



Beverley Matthews, Q.C.
Senior Partner, McCarthy & McCarthy, Toronto, Ontario. Director: The Toronto-Dominion Bank; TransCanada Pipelines Limited; Brascan Limited; Westinghouse Canada Limited; The Canada Life Assurance Company; Gulf Oil Corporation.



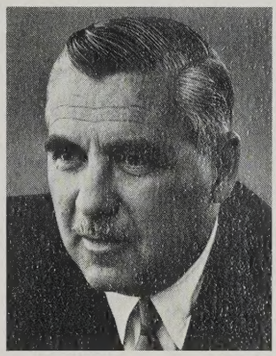
Jerry McAfee
President and Chief Executive Officer, Gulf Oil Canada Limited, Toronto, Ontario. Director: The Bank of Nova Scotia; The Steel Company of Canada, Limited.



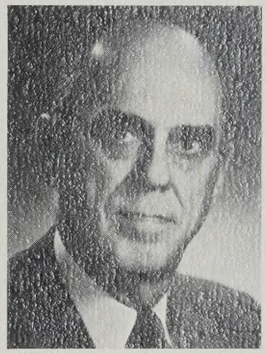
Gérard Plourde
Chairman, UAP Inc., Montreal, Quebec. President: Hôpital Notre-Dame. Vice-President and Director: Alliance Compagnie Mutuelle d'assurance-vie; The Toronto-Dominion Bank. Director: Anglo-French Drug Co. Ltd.; Bell Canada; Editions du Renouveau Pédagogique Inc.; Northern Electric Company Limited; The Molson Companies Limited; Rolland Paper Company Limited; Steinberg's Limited.



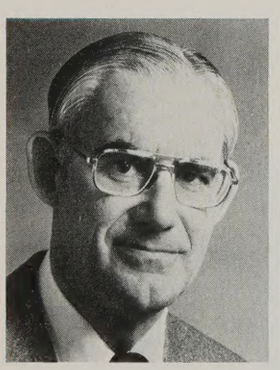
Alfred Powis
President and Chief Executive Officer, Noranda Mines Limited, Toronto, Ontario. Chairman: British Columbia Forest Products Limited. Director: Canadian Imperial Bank of Commerce; Placer Development Limited; Simpsons Limited; Sun Life Assurance Company of Canada.



R. G. Rogers
President and Chief Executive Officer, Crown Zellerbach Canada Limited, Vancouver, British Columbia. Director: Canadian Imperial Bank of Commerce; RCA Limited; Genstar Limited; Hilton Canada Limited; Royal General Insurance Company of Canada.



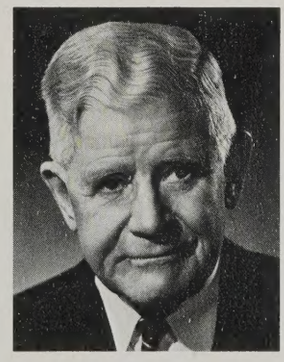
C. D. Shepard
Chairman of the Board, Gulf Oil Canada Limited, Toronto, Ontario. Director: The Toronto-Dominion Bank; The Carborundum Company.



Edward B. Walker, III
Executive Vice-President and Director, Gulf Oil Corporation, Pittsburgh, Pennsylvania.



W. H. Young
President, The Hamilton Group Limited, Burlington, Ontario. Director: The Steel Company of Canada, Limited; Harding Carpets Limited; Gore Mutual Insurance Company; National Trust Company Limited.



R. A. Laidlaw
Toronto, Ontario, Director Emeritus.

Gulf Oil Canada Limited

Directors

R. J. Butler

E. H. Crawford

E. F. Crease

J. Peter Gordon

Beverley Matthews, Q.C.

Jerry McAfee

Gérard Plourde

Alfred Powis

R. G. Rogers

C. D. Shepard

E. B. Walker, III

W. H. Young

Director Emeritus

R. A. Laidlaw

Officers

Jerry McAfee, President and Chief Executive Officer

C. D. Shepard, Chairman of the Board

L. P. Blaser, Senior Vice-President

J. L. Stoik, Senior Vice-President

F. D. Aaring, Vice-President

R. T. Brown, Vice-President

R. E. Harris, Vice-President

D. S. Lyall, Vice-President

S. G. B. Pearson, Vice-President

H. W. Peterson, Vice-President

J. C. Phillips, Q.C., Vice-President, General Counsel and Secretary

J. F. Runnalls, Vice-President

C. G. Walker, Vice-President

R. W. Cochrane, Treasurer

J. A. Scobie, Comptroller

Head Office
800 Bay Street, Toronto, Ontario

Marketing Region Offices
Montreal, Quebec; Toronto, Ontario; Calgary, Alberta

Chemicals
Headquarters: Montreal, Quebec
Plants: Montreal East, Shawinigan and Varennes, Quebec

Accounting and Data Processing Centres
Montreal, Quebec; Toronto, Ontario; Calgary, Alberta

Research and Development Centre
Sheridan Park, Ontario

Exploration and Production
Headquarters: Calgary, Alberta
Operated gas plants: Gilby, Morrin-Ghost Pine, Nevis, Pincher Creek, Rimbey, Swalwell and Strachan, Alberta

Pipelines
Operated pipelines: Alberta Products, Gulf Alberta, Gulf Saskatchewan, Rimbey, Saskatoon, Shawinigan and Valley

Refineries
Point Tupper, Nova Scotia; Montreal East, Quebec; Clarkson, Ontario; Edmonton, Alberta; Kamloops and Port Moody, British Columbia

Asphalt Plants
Moose Jaw, Saskatchewan; Calgary, Alberta

Principal Affiliates (wholly-owned)
SERVICO LIMITED
Head Office: Quebec, Quebec
President: R. T. Brown

SUPERIOR PROPANE LIMITED
Head Office: Toronto, Ontario
President: R. G. Samworth

Registrar
Canada Permanent Trust Company, Toronto

Transfer Agents
Canada Permanent Trust Company – Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal, Saint John, N.B., Charlottetown, Halifax, St. John's, Newfoundland
Registrar and Transfer Company – New York

Critical issues: Communications

The past year was extremely difficult for oil industry communications. Constantly challenged to explain its position on a vast range of energy issues – often to hostile and sceptical audiences – the industry expended considerable extra effort to speak out and be heard.

Gulf Canada in various ways sought to provide Canadians with a better understanding of the reasons underlying the nation's current energy problems. The scope and depth of informational output was increased and steps were taken to encourage greater accessibility of Company personnel to representatives of the media and other groups.

Because of growing government intervention in many areas of oil industry operations, more emphasis was put on communications with public agencies and government bodies. During the year submissions or presentations were made to the National Energy Board and to nine provincial governments.

The preoccupation of Canadians with energy matters and their search for answers to the tremendous problems in this area stimulated considerable change in the quantity and content of information to Gulf Canada's shareholders, dealers and employees. In addition to quarterly financial statements, which in 1974 emphasized issues of taxation and earnings, shareholders last year received a number of other informational pieces of topical interest. Service station operators were advised as to Gulf Canada's positions on various issues through their own magazine, and reinforced channels of communication kept employees fully informed on the latest industry developments.

The Company will continue to do its best to keep its publics informed.





RESEARCH AND DEVELOPMENT: During the year Gulf Canada introduced and road-tested a new process which incorporates sulphur into asphalt. The mobile laboratory *(right)* continued to check the air and water quality in plants across Canada.

Gulf

